



## Press Release

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### **ASEAN Secretariat Holds Forum on Global Financial Crisis**

*Jakarta, 30 January 2009*

With the global financial crisis sending major economies into a recession, Asian countries should stand ready to make substantial adjustments to keep their economies afloat and support growth. This was the key message from the fifth Brown Bag Series by the ASEAN Secretariat titled "The Global Financial Crisis: Prospects, Challenges and Responses from ASEAN and East Asia" which was held today at the ASEAN Secretariat. Guest speakers were Prof Masahiro Kawai, Dean of the Asian Development Bank Institute and Dr William E. Wallace, Lead Economist of World Bank Jakarta.

"Obviously, Asia (including ASEAN and East Asia) needs to adjust by rebalancing its sources of growth and turning to domestic demand-driven growth rather than export-driven growth," Prof Kawai said.

Since the financial crisis intensified in September 2008, the region has been confronted with many challenges arising from slowing growth, tighter external financing conditions, volatile capital flows, and increased vulnerabilities. Once thought to be relatively well insulated from the downturn, Asia is rapidly feeling the mounting economic pain. The crisis is deepening and the broader economic environment is seen to be getting worse before the situation will improve.

Nonetheless, Asia is in a better position to respond to the crisis because of its much better fundamentals compared to the crisis in 1997 and 1998. According to Prof Kawai, Asia is the only region that still shows strong growth in the global economy, hence Asia's policy is going to be quite important for the future of the global economy. He further said that there is a need for more coordinated action because of high economic interdependence in Asia. Asia needs to strengthen real sector cooperation for integration, in addition to strengthening financial systems through better supervision and regulation, particularly through regional financial cooperation.

Commenting on Asia's response to the crisis, Dr Wallace said that policy coordination is critical to the region's smooth adjustment to the crisis. "In addition to policies that promote domestically sourced growth, ASEAN countries should try to coordinate their policy initiatives by agreeing for example, on the targets and timing of their fiscal expansion," he said.

Since last year, many countries in the region have put in place various policy measures to recapitalise and inject liquidity into financial institutions, in addition to huge stimulus packages that are being implemented in some economies to firm up domestic demand.

“Given the severity of the crisis, policy makers in East Asia must remain committed to pursue policy actions more decisively. The timely activation of the Chiang Mai Initiative Multilateralisation (CMIM) facility and the strengthening of regional surveillance mechanism are steps in the right direction, to help the region cope with this crisis as well as future ones,” said Mr Pushpanathan Sundram, Deputy Secretary-General of ASEAN for ASEAN Economic Community who moderated the discussion. He added that the establishment of the ASEAN Economic Community by 2015 will deepen and widen trade and economic collaboration in the Asian region as well as internationally thus strengthening policy coordination.

The event, held in collaboration with the Asian Development Bank, GTZ supported ASEAN-German Regional Forest Programme and Australia’s Development Assistance Agency, was attended by key members of Jakarta-based business community, diplomatic and government officials, staff of the ASEAN Secretariat and media representatives.

More ASEC Brown Bag Series on contemporary topics of interest to ASEAN will be organised in the coming months as the ASEAN Secretariat intensifies its public outreach efforts to promote the ASEAN Community and the work of ASEAN.

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